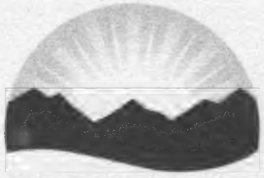
BC Assessment

2014
ANNUAL SERVICE PLAN REPORT



BRITISH
COLUMBIA

For more information on BC Assessment contact:

400 – 3450 Uptown Boulevard

Victoria, B.C., V8Z 0B9

Tel 250 595 6211

or visit our website at
www.bcassessment.ca

Board Chair's Message and Accountability Statement

Dear Minister,

On behalf of the Board of Directors, I am pleased to present BC Assessment's *2014 Annual Service Plan Report.*

BC Assessment continues to meet the performance expectations set out in the Government's Letter of Expectations and has either completed or continues to implement the Taxpayer Accountability Principles' action items.

An accurate and uniform assessment roll is vital to taxing authorities. The $6.97 billion in property tax revenue generated in 2014 sustains a broad range of community services which benefits all British Columbians. The *2014-2016 Service Plan* identified four strategic goals, which serve as the foundation for BC Assessment's performance targets. All performance targets identified in the service plan have either been met or exceeded.

BC Assessment's customer groups expect high-quality products and a uniform and accurate assessment roll. For the 2015 Assessment Roll, 98.9 per cent of assessments were accepted without appeal. This was supported in part by our Property Data Accuracy Program, which helped BC Assessment successfully meet all key performance targets for our assessment roll. We also introduced a new customer survey methodology in 2014 to measure customer satisfaction, both in terms of their interactions with our employees and the relevance of our services and products.

Engaged employees enhance customer satisfaction and the quality of our work. While there was no scheduled employee engagement survey for 2014, we continue to develop and implement action plans based on the survey results from 2013.

In 2014, we undertook significant work to develop a partnership strategy. The outcome of that work provides us with the platform to improve how we manage and support all of our external relationships in a way that adds the most value for the citizens of British Columbia.

The financial position of BC Assessment remains strong. As directed by the Government, the average levy on existing taxpayers remained the same from 2013 to 2014.

The BC Assessment *2014 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2014 - 2016 Service Plan.* I am accountable for those results as reported.

Judy Rogers

Board Chair

Table of Contents

Board Chair's Message and Accountability Statement 3
Purpose of the Organization 5
Strategic Direction and Context 6
Strategic Direction 6
Strategic Context 6
Report on Performance 7
Goals, Strategies, Measures and Targets 8
Goal 1: Our Customers 8
Goal 2: Our People 11
Goal 3: Our Work 11
Goal 4: Our Partnerships 16
Financial Report 17
Management Discussion and Analysis and Financial Report Summary 18
Audited Financial Statements of British Columbia Assessment Authority 21
Independent Auditor's Report 24
Appendix: Hyperlinks to Additional Information 43

Purpose of the Organization

BC Assessment is a provincial Crown corporation with the legislated mandate to establish and maintain property assessments that are uniform in the whole of British Columbia, in accordance with the *Assessment Act*.

While BC Assessment has no direct role in property taxation, it plays an integral and impartial role in the provincial property taxation system by producing an accurate and uniform assessment roll each year. Property values on the assessment roll form the basis of distributing property tax, providing the foundation for a stable tax base for taxing authorities.

In 2014, $6.97 billion in property tax revenue was generated. This funding allows communities to sustain the community services, transportation and utility infrastructure, schools, police and fire services, parks, recreational and cultural services that provide broad public benefits to British Columbians.

Strategic Direction and Context

Strategic Direction

BC Assessment's strategic direction is developed by the Board of Directors and Executive Management Team in consideration of direction from the Provincial Government (including the *2014 Government's Letter of Expectations (GLE)*, the *Taxpayer Accountability Principles* (TAP) and *TAP Addendum to the 2014 GLE*). For 2014, BC Assessment was asked to work closely with the ministry on legislative, regulatory and policy initiatives, participate in any review of municipal government property taxation as related to property assessment, and continue to improve Property Assessment Review Panel (PARP) operations. We also worked to make property information more comprehensive and accessible, aligning with government's Open Data initiative. Lastly, the average levy on existing taxpayers remained the same from 2013 to 2014, with any increase of funds generated through non-market change used to improve customer services. The TAP Addendum included requirements to adopt the principles across the organization and to revise our Standards of Conduct. More information on BC Assessment may be found at www.bcassessment.ca.

Strategic Context

In 2014, BC Assessment considered and managed a number of factors that could have had a significant effect on our results:

- Continued folio growth challenges BC Assessment's ability to capture and provide current property information for the whole province. We have evolved our systematic approach to achieving and maintaining accurate property data through significant field work, statistical efforts, and investment in imagery-based inventory verification with desktop review. We updated our Property Data Accuracy Program to ensure a renewed focus on innovation in enhancing the accuracy and reliability of our assessment services.
- The challenge of sufficient employee resource capacity was addressed through recruitment and contracting for specialist resources, adjustments to project sequencing and scope, and enhanced communication on major initiatives. Our people are critical to our success, and attention to resource capacity in 2014 ensured delivery of the 2015 Assessment Roll and significant achievements in improving our products and services.
- BC Assessment is investing in multi-year initiatives that transform our business. To support successful implementation of strategic projects, we enhanced our organizational change management and leadership capabilities through establishment of a corporate change management function, administration of a change readiness survey, and delivery of 'Leading to Value' courses for foundational leadership skills.
- BC Assessment continues to explore mutually beneficial relationships with other organizations to create efficiencies and reduce costs. We developed a partnership strategy and relationship management model in 2014 to improve how we manage and support our external relationships, including partnerships for cost-sharing and data exchange. By 2018, vendor support for our core assessment system will no longer be available. Therefore, the 'Next*Gen* value*BC*" Program was launched to replace the system. We will also take advantage of newer technology and updated business processes to improve operational effectiveness. In 2014, BC Assessment procured a vendor, secured dedicated project resources and workspace, and refined plans and estimates for the next phase.

Report on Performance

The *2014–2016 Service Plan*, *Government's Letter of Expectations* and Taxpayer Accountability Principles established the public reporting performance expectations for BC Assessment as determined by the Board of Directors. They formed our plan of action, clearly setting the conditions that define our success by identifying our four goals, the supporting strategies and our performance measures.

In support of the Taxpayer Accountability Principles, BC Assessment has advanced on a number of action items.

Table 1: Taxpayer Accountability Principles Action Items	**Status**
An orientation about the government strategic mandate for public sector board members and CEOs. The orientation will promote understanding of the principles and will be the signed by the participants. This will be an ongoing process and all new appointments will receive the strategic mandate orientation.	Completed / Ongoing
Public sector organizations will develop comprehensive codes of conduct that will apply throughout their organization.	Completed. October 31, 2014
All public sector boards will annually receive new mandate letters from their Minister responsible. All board members will sign the mandate letter and the letters will be posted publicly, enhancing their accountability to government's strategic mandate.	Completed, January 15, 2015
An annual Chair/CEO report letter with respect to the organization's performance concerning the mandate letter expectations to be established as a new accountability requirement.	In development
Regular meetings required between Ministers and board chairs, and Deputy Ministers and CEOs that focus on performance against the Taxpayer Accountability Principles, results and strategic decision making.	Completed / Ongoing
In collaboration with their responsible ministries, develop an evaluation plan with specific efficiency and performance measures as determinants of the organization's health and performance, against the Taxpayer Accountability Principles.	In Progress. Crowns establish/confirm measures by June 30, 2015
Assist their responsible Deputy Minister to develop a strategic engagement plan to work more effectively together and to demonstrate accountability for the outcomes and measurements identified by the Minister responsible.	Ongoing
Undertake more comprehensive and appropriate communication, orientation and training regarding the accountability framework, the Taxpayer Accountability Principles, roles and expectations for their boards and executive.	Ongoing
Institutionalize semi-annual board chair/CEO/DM meetings with members of the Executive Council.	Completed / Ongoing

In 2014, we continued to advance on *Government's Letter of Expectations* by:

- Working closely with the Ministry on amendments to legislation, regulatory and policy initiatives that support government direction.
- Providing assessment related information as requested by local governments.
- Working with the Ministry to expand on the Property Assessment Review Panel (PARP) Online Evidence Submission System.
- Developing an overall Partnership Strategy to make property information more comprehensive and accessible through the creation of strong property information-sharing partnerships and improved customer access to information with an updated Assessment Notice and e-value*BC* assessment information service enhancements.
- Keeping the average levy on existing taxpayers the same from 2013 to 2014, and using any increase on funds generated through non market change to improve customer service.

Goals, Strategies, Measures and Targets

Table 2: BC Assessment Goals and Strategies

GOALS	STRATEGIES
Our Customers... Trust us and see us as essential to satisfying their property information needs.	Increase the level of customer orientation in everything we do
	Develop our customer relationship management capabilities
	Embed innovative products and services into our customers' processes and decision making
Our People... Are personally invested in making our 10-year story happen.	Attract - Be known as a great place to work and build a career
	Develop - Enable continuous learning where everyone develops leadership, grows skills and shares knowledge
	Engage - Build an employee experience that inspires personal ownership of our results
Our Work ... Delivers current property information and an accurate assessment roll.	Develop innovative and risk-based practices for all operations to ensure delivery of quality products and services
	Ensure cost effective and value added operations
	Improve ability to deliver through increased process maturity
Our Partnerships... Add value for customers and each other.	Lead development of a community of organizations that share and integrate property information
	Seek mutual efficiencies and innovation

Goal 1: Our Customers

Our goal is that our customers trust us and see us as essential to satisfying their property information needs – BC Assessment is a customer-focused organization that aims to meet the needs of our customers while operating within our mandate and financial capacity.
BC Assessment has articulated three broad strategies that provide clarity around how we will achieve this goal.

Strategies

- Increase the level of customer orientation in everything we do.
- Develop our customer relationship management capabilities.
- Embed innovative products and services into our customers' processes and decision making.

Performance Measure 1.1: Customer Satisfaction.

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Residential/Non-Residential customer satisfaction index							
Customer satisfaction – employee interaction	80.9%	83.6%	No survey	89%[1]	N/A[2]	TBD[2]	TBD[2]
Customer satisfaction – products/services	N/A	N/A	No survey	72%	N/A[2]	TBD[2]	TBD[2]

Data Source: BC Assessment has a contract with a market research firm to act as an independent third party to conduct our customer satisfaction surveys.

Discussion

BC Assessment regularly reviews customer feedback to identify areas where we can improve and enhance the customer experience.

In 2013/14, BC Assessment worked with our key customer groups to develop and implement new service commitments and standards that will guide service delivery, inform our customers about the level of service they can expect from us, and allow us to monitor and report our performance.

Historically, we have conducted customer telephone surveys to gather input on our customers' perceptions of our products and customer service and to measure progress against strategic customer goals. Subsequent to the 2011/12 research, survey activity was placed on hold as we undertook a review of our overall customer strategy, including seeking opportunities to drive innovation in our approach to customer surveying.

In September 2014, BC Assessment engaged a market research firm to modernize our surveying processes and methodologies, to allow us to establish new customer performance targets and report our progress on performance measures aligned with our new service standards.

Our new customer surveys support the use of two new indices of overall customer satisfaction that will replace the measures identified in prior service plans.

- **Customer satisfaction – employee interaction:** Measures our customers' satisfaction with their interactions with our employees.
- **Customer satisfaction – products/services:** Measures our customers' satisfaction that our products and services meet their property information needs.

In 2014, for the residential / non-residential customer group, BC Assessment achieved a result of 89 for customer satisfaction with their interaction with our employees and 72 for their

[1] The customer survey methodology was modernized in 2014, so the results are not necessarily comparable to previous years. A significant shift is that for years prior to 2012, the results were based on a composite percentage. For 2014 onwards, the results are based on an index.

[2] Due to the introduction of a new survey methodology in 2014, targets cannot yet be identified. BC Assessment will report on targets for future years in the *2016-2018 Service Plan*.

satisfaction with our products and services (index score with a maximum of 100). We will continue to use customer satisfaction data to seek opportunities for improving our service to our customers.

The survey for the customer groups of local governments, First Nations and Provincial Government commenced in late 2014 and will continue into 2015 to accommodate the business cycles of these customer groups. The results of these surveys will be reported in future service plans and annual reports.

Performance Measure 1.2: Percentage of assessments accepted without appeal.

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Percentage of assessments accepted without appeal	98.8%	98.8%	99.1%	98.9%	≥ 98.0%	≥ 98.0%	≥ 98.0%

Data Source: Internal property information database.

Discussion

BC Assessment interprets high acceptance of assessments by residential and non-residential property owners as a validation of the quality, accuracy and acceptance of our work. Property owners who do not agree with the estimate of their property's market value or exemption status, or who believe that their property was improperly classified, can challenge the assessment. If a change or correction is warranted, BC Assessment recommends changes to a local Property Assessment Review Panel (PARP), a three-member independent panel appointed by the government. Property owners who continue to disagree with the assessment can request an independent review by a PARP. For this reason, an important measure of public acceptance of the annual assessment roll is the number of complaints (appeals) to PARPs. For more information on appeal processes and timelines, please visit the Provincial Government's Property Assessment Review Panel and Property Assessment Appeal Board websites.

BC Assessment tracks annual statistics to determine the number of residential and non-residential property owners who apply in writing or online for an independent review of their assessment by a PARP. Property Assessment Appeal Board (PAAB) appeal rates are not included in this measure, as these hearings can take a number of years to resolve and may skew the results for the annual performance measure program.

For the 2015 Assessment Roll which was produced during the 2014 calendar year, PARP heard 22,296 cases, compared to 17,874 related to the 2014 Assessment Roll. This correlates to a 98.9 per cent acceptance rate.

Proactive communication with property owner groups and taxing jurisdictions, combined with enhanced customer service, contributed to the continued low number of inquiries and complaints on the 2015 Assessment Roll.

Goal 2: Our People

Our goal is that our people are personally invested in making our 10-year story happen – Research suggests that successful employee engagement is the foundation for a workplace that enhances satisfaction and commitment, and creates an environment where people want to come to work. Engaged employees contribute to higher levels of customer satisfaction, trust and confidence in what an organization does.

Strategies

- Attract - Be known as a great place to work and build a career.
- Develop - Enable continuous learning where everyone develops leadership, grows skills and shares knowledge.
- Engage - Build an employee experience that inspires personal ownership of our results.

Performance Measure 2.1: Level of employee engagement.

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Level of employee engagement	60	Biennial Survey	61	N/A	Biennial Survey	63	Biennial Survey

Data Source: BC Assessment has a contract with BC Stats, part of the Ministry of Technology, Innovation and Citizens' Services, to act as an independent third party to conduct our employee engagement survey.

Discussion

Engaged employees contribute to higher levels of customer satisfaction, performance, trust and confidence in what an organization does. The employee engagement survey results not only tell us what our level of engagement is, but also show us how well we are doing on key drivers such as pay and benefits, hiring practices, leadership and teamwork.

The results from the employee engagement survey allow comparisons within and between departments and at a corporate level. As an example, in 2009, BC Assessment began using the same employee engagement survey approach as the provincial government, to permit benchmarking against the government's annual engagement score results.

The employee engagement survey was administered annually beginning in 2008 and went to a biennial format in 2011. We continue to develop and implement action plans based on the survey results from 2013. The next survey is scheduled for 2015.

Goal 3: Our Work

Our goal is that our work delivers current property information and an accurate assessment roll – BC Assessment is committed to improving effectiveness. Continued investment in new technologies and systems will enable BC Assessment to contribute to a stable tax base and provide innovative assessment solutions to customers, while continuing to limit increases in the costs associated with property assessment services.

Strategies

- Develop innovative and risk-based practices for all operations to ensure delivery of quality products and services
- Ensure cost effective and value added operations
- Improve ability to deliver through increased process maturity

Performance Measure 3.1: Assessment to sales ratio (ASR).

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
- Residential ASR	98.0%	97.7%	98.0%	97.9%	97-100%	97-100%	97-100%
- Non-Residential ASR	96.5%	96.5%	96.2%	96.1%	95-100%	95-100%	95-100%

Data Source: Internal property information database.

Discussion

The assessment to sales ratio (ASR) measures how closely assessments mirror a property's actual selling price. BC Assessment measures the ASR for properties in accordance with internationally recognized standards set by the International Association of Assessing Officers (IAAO). The IAAO has set the median ASR standard between 90 per cent and 110 per cent. However, BC Assessment has set more challenging targets: between 97 per cent and 100 per cent for the residential assessment roll and between 95 per cent and 100 per cent for the non-residential assessment roll.

The median ASR is one of BC Assessment's two primary roll quality measures. The ASRs in this annual report are based on the 2015 Revised Roll and generated by the performance management information system. BC Assessment's Internal Audit Department also conducts periodic audits on the key performance indicator information as part of the three-year audit plan that is approved by the Board.

The ASR is calculated by dividing the actual value (as determined by BC Assessment) of a property that has sold, by its selling price, and expressing the result as a percentage. For example, if a property is assessed with a value of $243,000 and it sold for $250,000, the ASR would be 97.2 per cent. In short, the ASR measures how accurately BC Assessment appraises property at market value. Our statistics reflect all available single-family residential arm's-length sales for the two quarters surrounding our valuation date of July 1 (i.e., April 1, 2014 to September 30, 2014). For non-residential sales, the data are based on sales occurring throughout the year.

For the 2015 Assessment Roll, completed by December 31, 2014 and revised through PARP in early 2015, BC Assessment's residential ASR result is 97.9 per cent, and non-residential ASR is 96.1 per cent. Both these figures fall within the target ranges, indicating accuracy in matching market value in our assessments.

Performance Measure 3.2: Coefficient of dispersion (COD).

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
- Urban COD	5.7%	5.7%	5.6%	5.8%	5.0-10.0%	5.0-10.0%	5.0-10.0%
- Rural COD	7.6%	7.6%	7.8%	7.8%	5.0-15.0%	5.0-15.0%	5.0-15.0%
Data Source: Internal property information database.							

Discussion

The coefficient of dispersion (COD) measures the quality of assessments by calculating the dispersion, or spread, of all the ASRs around the median ASR. Less dispersion indicates higher quality assessment information, and is reflected by a lower COD. The COD is a measure of appraisal uniformity. This measure is important in public reporting on roll quality and is complementary to the ASR measures.

The target for rural properties is higher than for residential properties in urban areas because rural areas are typically less comparable to each other. The COD standard set by the IAAO for single-family residential properties is under 15 per cent for urban regions and under 20 per cent for rural regions. BC Assessment has set ongoing targets of under 10 per cent and under 15 per cent, respectively. Our statistics for the COD are based on all available single-family residential arm's-length sales for the two quarters surrounding our valuation date of July 1 (i.e., April 1, 2014 to September 30, 2014).

The coefficient of dispersion is the second of BC Assessment's two primary roll quality measures. The COD in the annual report is based on the 2015 Revised Roll and generated by the performance management information system. As with the ASR, the reliability of this roll-quality performance measure is founded on the title records from the Land Title and Survey Authority of British Columbia.

Table 3: Example Calculation of Coefficient of Dispersion	
Using 97.5 per cent as the median:	
Assessment to Sales Ratio	**Deviation from Median**
95.5%	2.0
96.7%	0.8
97.5%	0.0
98.7%	1.2
99.2%	1.7
Total Deviation	5.7
Average Deviation	**1.14**
COD = 1.14/97.5 or 1.17%	

BC Assessment measures the COD for properties located in both urban and rural areas, according to internationally recognized standards. To calculate the COD, the differences between each ASR in a group and the median ASR are added together. The average deviation is the sum of these numbers, divided by the number of properties in the group. The COD is the average deviation divided by the median, and is expressed as a percentage. An example of calculating a COD is provided in *Table 3*.

For the 2015 Assessment Roll, completed by December 31, 2014 and revised through the PARP process in early 2015, BC Assessment's residential urban COD is 5.8 per cent and rural COD result is 7.8 per cent. Both of these results fall well within the target ranges and represents accuracy in matching market value in our assessments.

Performance Measure 3.3: Assessment roll stability – change in taxes collected.

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Assessment roll stability – change in taxes collected	0.36%	0.36%	0.37%	0.08% [3]	≤ 0.22%	≤ 0.22%	≤ 0.22%

Data Source: Internal property information database.

Discussion

In any given year, property status can change, and new properties may be created while others are deleted. BC Assessment annually measures the stability of the assessment roll by analyzing the number of additions or deletions made to the roll. Roll stability is a critical issue for local governments, which rely almost exclusively on property taxes to fund services to their taxpayers. The objective of this measure is to track changes in taxes collected by the taxing jurisdictions, indicating a stable, dependable assessment roll. This performance measure is accepted by BC Assessment and throughout the taxing jurisdictions as a good measure of the stability of the assessment roll.

Supplementary changes after the annual assessment roll has been revised by Property Assessment Review Panels can be due to mistakes in information or to adjustments made after a property is appealed to the Property Assessment Appeal Board. This performance measure estimates the change in the amount of taxes collected or refunded by taxing jurisdictions based on the change in general taxable value for a period of 19 months after the Revised Roll. For example, the 2014 value measures the 2013 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2013 and December 31, 2014.

BC Assessment met the 2014 target (2013 Assessment Roll) of ≤ 0.22 per cent, with refunds amounting to 0.08 per cent of general-purpose tax revenues. Our efforts to improve roll quality are directly linked to our activities supporting the three performance measures for percentage of assessments accepted without appeal, assessment to sales ratio (ASR) and coefficient of dispersion (COD). Our work on these three performance measures improves roll quality by enhancing transparency of the assessment process and improving data quality.

[3] The result for 2013 showed only deductions and achieved the performance target of ≤ 0.37 per cent. For 2014 onward, the measure has been improved to capture both gains and deductions, whereas the previous measure only measured deductions.

Performance Measure 3.4: Net cost per property for assessment services.

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Net cost per property for assessment services.	$40.25	$41.28	$41.62	$41.59	$42.98	$43.54	$44.39

Data Source: Internal property information database.

Discussion

This performance measure reflects BC Assessment's commitment to keeping assessment service costs for property owners as low as possible while continuing to meet growing service demands in an increasingly complex business environment. BC Assessment relies almost exclusively on property tax levies for the largest part of its revenues, so efficiency and cost-effectiveness are required to minimize any potential increases to levies. Investments in technology and innovative business process improvements have been essential in allowing BC Assessment to improve service levels, while at the same time, holding the line on costs.

The targets are based on service plan forecasts, which take into consideration projected new property construction and development, as well as assumptions regarding changes in revenues and expenditures. The Board of Directors is committed to keeping the cost per property as low as possible while responding to the demands of BC Assessment's various stakeholders for improved services and information.

The 2014 cost per property for assessment services funded from tax levies has been calculated by taking total expenditures for the year, net of data access revenue and other income, divided by the number of properties on the 2015 Revised Roll.

BC Assessment strives to maintain appropriate internal controls and reports regularly to the Audit and Risk Management Committee and the Board of Directors, and quarterly to the Office of the Comptroller General. We are subject to an annual external audit of our financial statements, currently performed by Grant Thornton LLP. These controls contribute to data quality and reliability.

BC Assessment met the cost per property target for 2014, coming in below our target of $42.98 with an average actual cost per property of $41.59. Details on our financial performance for 2014 are outlined in the Financial Report section.

Goal 4: Our Partnerships

Our goal is that our partnerships add value for customers and each other – BC Assessment is also focused on our partnerships, such as with the Surveyor of Taxes of the Ministry of Finance, local governments and other industry groups. The objective of working with partners is to advance mutually beneficial objectives while operating within our mandate and financial capacity.

Strategies

- Lead development of a community of organizations that share and integrate property information
- Seek mutual efficiencies and innovation

Performance Measure 4.1: Partnerships.

Performance Measure	2013 Actual	2014 Actual	2014 Target	2015 Target	2016 Target
Under development	N/A	N/A	Establish baseline	Maintain or improve result	Maintain or improve result

Discussion

In 2014, BC Assessment undertook significant work to develop a partnership strategy for the organization. The outcome of that work provides BC Assessment with the platform to improve how the organization manages and supports all of our external relationships in a way that adds the most value for the citizens of British Columbia.

Based on the partnership work completed in late 2014 and early 2015, BC Assessment's strategies and performance measures are being revisited both for alignment to the new understanding of organizational relationships and for feasibility of measurement. The performance measure identified in the *2015–2017 Service Plan* is therefore subject to review, and any changes will be discussed in the *2015 Annual Service Plan Report*.

Financial Report

Summary Financial Results for 2010-2014 and Financial Plan for 2015-2017

The following financial statement and discussion and analysis provides Management's perspective of the financial condition and the year-end financial results to December 31, 2014 of the operations for BC Assessment. This analysis should be read in conjunction with the audited financial statements and related notes for the fiscal year. The financial information provided in this analysis is presented in accordance with the Canadian public sector accounting (PSA) standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. *Table 4* summarizes BC Assessment's financial results for the fiscal years 2010-2014 and the financial plan for the next three years as set out in BC Assessment's *2015-2017 Service Plan*. The table also compares the 2014 actual results to the 2014 budget and 2013 actual results.

Table 4: Summary Financial Results for 2010-2014 and Financial Plan for 2015-2017

IN $000s	2010 Actual (Restated)	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Actual	More/(Less) than 2014 Budget	More/(Less) than 2013 Actual	2015 Budget	2016 Budget	2017 Budget
Operating Revenue											
Tax levies	75,785	76,927	79,102	82,085	83,482	83,777	295	1,692	85,282	87,852	90,549
Other	5,407	5,381	5,300	5,838	5,105	5,801	696	(37)	5,276	5,436	5,598
Total Revenue	**$ 81,192**	**$ 82,308**	**$ 84,402**	**$ 87,923**	**$ 88,587**	**$ 89,578**	**$ 991**	**$ 1,655**	**$ 90,558**	**$ 93,288**	**$ 96,147**
Operating Expenses											
Employee expenses	53,965	55,098	56,007	56,303	58,983	58,004	(979)	1,701	61,099	62,326	63,681
Office premises	7,392	6,185	6,211	6,463	6,427	6,155	(272)	(308)	6,516	6,687	6,760
Information and communications technology	5,486	5,601	7,139	9,119	7,914	8,519	605	(600)	8,400	9,357	9,365
Amortization	4,376	4,489	5,207	3,962	3,837	3,530	(307)	(432)	3,595	4,290	4,287
Appeal costs	3,508	3,882	3,924	3,046	3,890	2,852	(1,038)	(194)	3,125	3,193	3,314
Corporate and office	2,135	2,727	2,449	3,364	3,728	3,223	(505)	(141)	3,880	3,457	4,720
Assessment notice printing and postage	1,635	1,618	1,573	1,678	1,657	1,914	257	236	1,813	1,823	1,841
Travel	1,442	1,563	1,409	1,698	2,151	2,113	(38)	415	2,130	2,153	2,180
Total Expenses	**$ 79,939**	**$ 81,163**	**$ 83,919**	**$ 85,633**	**$ 88,587**	**$ 86,310**	**$ (2,277)**	**$ 677**	**$ 90,558**	**$ 93,288**	**$ 96,147**
Net Income from Operations	**$ 1,253**	**$ 1,145**	**$ 483**	**$ 2,290**	**$ 0**	**$ 3,268**	**$ 3,268**	**$ 978**	**$ 0**	**$ 0**	**$ 0**
Capital Expenditures											
Total Capital Expenditures	**$ 6,775**	**$ 4,255**	**$ 4,739**	**$ 2,372**	**$ 6,336**	**$ 3,831**	**$ (2,505)**	**$ 1,459**	**$ 7,991**	**$ 8,984**	**$ 10,706**
Liabilities											
Total Liabilities	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Accumulated Surplus											
Equity in tangible capital assets	15,208	14,493	14,018	12,573	12,573	13,054	481	481	17,695	22,616	27,895
Equity from operations – unappropriated	6,217	8,077	9,035	2,270	2,270	1,789	(481)	(481)	1,460	1,855	185
Equity reserve for capital and operations	5,500	5,500	5,500	16,000	16,000	19,268	3,268	3,268	14,956	9,640	6,031
Total Accumulated Surplus	**$ 26,925**	**$ 28,070**	**$ 28,553**	**$ 30,843**	**$ 30,843**	**$ 34,111**	**$ 3,268**	**$ 3,268**	**$ 34,111**	**$ 34,111**	**$ 34,111**

Management Discussion and Analysis and Financial Report Summary

Comparison of 2014 Actual Results and 2013 Actual Results

BC Assessment's primary source of revenue is from a tax levy collected from each taxable property. This tax levy is a component of the property taxes paid by property owners to the taxing jurisdictions, which in turn remit the tax levy collected to BC Assessment. Other sources of revenue include payments in lieu of taxes, contracts with First Nations, investment income, and revenue from data sales.

Net income for 2014 was $3.3 million compared with $2.3 million in 2013.

Gross revenues were $89.6 million in 2014 ($87.9 million in 2013). Tax levy revenues of $83.8 million represent 93.5 per cent of the total 2014 revenues. The increase in tax levy revenue of $1.7 million over 2013 is from the growth in the number of new properties in the province. Non-tax levy revenues were $5.8 million in 2014, substantially the same as 2013. Data sales revenues of $3.5 million in 2014 continue to contribute the bulk of non-levy revenues ($3.6 million in 2013).

Total operating expenses were $86.3 million in 2014, a 0.8 per cent or $677,000 increase over the $85.6 million reported in 2013.

Employee expenses represent two-thirds of BC Assessment's total expenses and consist primarily of salaries, benefits, and employee development costs. These costs increased by $1.7 million (3.0 per cent) to $58.0 million in 2014 compared to $56.3 million in 2013. Ensuring sufficient employee resource capacity was a priority in 2014 and, as a result, BC Assessment was able to fill some critical vacant positions in 2014 that had remained vacant in 2013. This was the primary driver of the net increase in employee expenses over 2013.

BC Assessment's other operating costs (total operating costs excluding employee expenses) were $28.3 million in 2014 compared to $29.3 million in 2013, lower by $1.0 million or 3.5 per cent. Major changes by expenditure category are as follows and are summarized in *Table 4*.

- Office premises costs were $6.2 million in 2014, $308,000 or 4.8 per cent lower than 2013 because of lower rent and operating costs due to savings from favourable renegotiated lease rates and a reduced office repairs and maintenance program.
- Information and communications technology costs were $8.5 million in 2014, a $600,000 or 6.6 per cent net decrease from 2013. The 2013 comparative expenses included a one-time grant payment of $1.25 million to establish BC Assessment's ParcelMap grant program which was not repeated in 2014. This reduction was partially offset by increases in software support and licences renewal costs, many of which are payable in US funds resulting in higher foreign currency exchange rates in 2014 compared to 2013.
- Amortization expense was $3.5 million in 2014, $432,000 or 10.9 per cent lower than 2013 because of a lower net book value of assets available for amortization in 2014 compared to 2013.
- Assessment appeal costs were $2.9 million in 2014, $194,000 or 6.4 per cent lower than 2013 due to a continued downward trend in the number of appeal cases. Assessment appeal costs include requisitions from the Ministry of Community, Sport and Cultural Development for administering the Property Assessment Review Panel and Property Assessment Appeal Board, external legal costs, and expert witness costs.

- Corporate and office costs were $3.2 million in 2014, a net decrease of $141,000 or 4.2 per cent from 2013 mostly from lower external professional services acquired in 2014 when compared to 2013. BC Assessment was able to maintain higher staffing levels in 2014 reducing the need for externally contracted services.
- Assessment notice printing and postage costs were $1.9 million in 2014, $236,000 or 14.0 per cent higher than 2013 because of a combination of a Canada Post rate increase effective January 1, 2014 and an increase in the volume of assessment notices mailed.
- Travel costs for the 2014 fiscal year were $2.1 million in 2014, $415,000 or 24.4 per cent higher than 2013 to support essential business and reassessment activities.

A total investment of $3.8 million was made in 2014 for capital asset additions, an increase of $1.4 million from the $2.4 million investment in 2013. The major capital investments in 2014 included a desktop computer refresh and software development costs for BC Assessment's core assessment and information systems.

Comparison of 2014 Actual Results with 2014 Budget

BC Assessment ended the 2014 year with a surplus of $3.3 million compared to a break-even budget.

Revenues of $89.6 million were higher than the budget by $991,000 (1.1 per cent) largely because of additional tax levy revenue from growth in the number of properties, higher payments in lieu of tax collections, higher bulk electronic data sales, and a year-end recovery from the Province of BC to support property inventory data collection.

Total operating expenditures of $86.3 million were 2.6 per cent or $2.3 million below the budget of $88.6 million.

Employee expenses were $58.0 million in 2014, approximately 1.7 per cent or $979,000 lower than budget due to savings from delays in filling budgeted vacancies, extended health benefit premium refund created by lower than expected employee claims experience, higher than budgeted costs for maternity and parental leave top-up payments, and higher salaries expense resulting from lower than planned capital labour invested in-house software development projects.

BC Assessment's other operating costs (total operating costs excluding employee expenses) were $28.3 million in 2014, 4.4 per cent or $1.3 million below the budget of $29.6 million. Major variances by expenditure category are as follows and are summarized in *Table 4*.

- Office premises costs were approximately $272,000 or 4.2 per cent below budget due to lower than anticipated common area expenses of leased facilities and unused repairs contingencies held in the budget for emergencies.
- Information and communications technology costs were approximately $605,000 or 7.6 per cent over the budget of $7.9 million. Higher actual expenditures included additional contracted project management support for key strategic initiatives, higher than budgeted software support and licence renewal costs due to unfavourable US currency exchange rates, and additional geospatial services to support property data collection and accuracy programs.

- Amortization expense was $307,000 or 8.0 per cent lower than budget because of deferrals, cancellations, and changes in timing of asset purchases.
- Assessment appeal costs were $1.0 million or 26.7 per cent below budget due to a continued downward trend in property assessment appeal rates. Approximately 98.9 per cent of assessments were accepted without appeal.
- Corporate and office costs were $505,000 or 13.5 per cent lower than budget due to savings achieved in a number of expense items in this category. Approximately 65 per cent of costs in this category relate to general administrative expenses such as office supplies, copying, and advertising, publications, equipment repairs, interest expense, corporate insurance and Board operating costs.
- Assessment notice printing and postage costs were $257,000 higher than budget because of a Canada Post rate increase announced after the 2014 budget was approved.
- Travel costs for the 2014 fiscal year were marginally under budget by $38,000 or 1.7 per cent.

Acquisitions of tangible capital assets of $3.8 million were $2.5 million below budget due to the cancellation and the deferral of a number of furniture and software technology acquisitions to future years.

Audited Financial Statements of British Columbia Assessment Authority

Financial Statements of

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Year ended December 31, 2014

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Financial Statements

Year ended December 31, 2014

Page

Management's Responsibility for the Financial Statements 23

Independent Auditors' Report 24

Statement of Financial Position 26

Statement of Operations 27

Statement of Change in Net Financial Assets 28

Statement of Cash Flows 29

Notes to Financial Statements 30

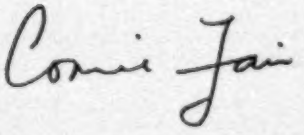
Management's Responsibility for the Financial Statements

The accompanying financial statements of British Columbia Assessment Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for public sector organizations established by the Public Sector Accounting Board of the Chartered Professional Accountants. A summary of the significant accounting policies is described in note 2 of the accompanying notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

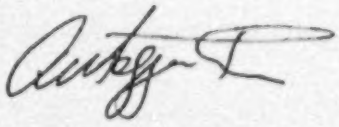
The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit and Risk Management Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Authority. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Connie Fair
President and Chief Executive Officer



Andy Hoggarth
Vice President and Executive Financial Officer

Victoria, British Columbia, Canada

Independent Auditor's Report

Grant Thornton

Management and the Audit and Risk Management Committee
British Columbia Assessment Authority
400-3450 Uptown Boulevard
Victoria, BC
V8Z 0B9

Grant Thornton LLP
12th Floor
50 Bay Street
Toronto, ON
M5J 2Z8

T +1 416 366 4240
F +1 416 360 4944
www.GrantThornton.ca

March 27, 2015

Dear Sirs and Mesdames,

In connection with our audit of British Columbia Assessment Authority's (BC Assessment) financial statements for the year ended December 31, 2014, the Canadian Auditing Standards require that we advise management and the Audit and Risk Management Committee (hereinafter referred to as "those charged with governance") of the following internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by the Canadian Auditing Standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Deficiencies in internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Our consideration of internal control would not necessarily identify all deficiencies in internal control that, individually or in combination, may be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a significant deficiency or material weaknesses.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

This communication is intended solely for the information and use of management, the Audit and Risk Management Committee, and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

In our letter dated April 7, 2014 we communicated the following deficiency to management and have provided the following update:

Allocation of labour costs to capital projects
During the course of performing audit procedures for the 2013 fiscal year, it was noted that management applies a flat rate of $45 per hour when allocating labour costs to the Next Generation ValueBC ("NGVBC") project.

We recommend adjusting the Staff Time NGVBC spreadsheet to include each person's rate to calculate a more accurate cost for work performed on the project.

Current year update
In our current year audit work, we reviewed the process in which project hours are tracked. Management changed its methodology to use each employee's actual rate to allow for a more accurate calculation of the actual labour costs allocated to the NGBV project starting in the 2014 fiscal year.

Other items

Internal audit reports issued in 2014
We have reviewed the reports issued by BC Assessment's internal auditor and had a number of conversations with Rao to ensure we understand the nature and impact of his findings on BC Assessment's operations and risk. Through our discussions and review of Rao's reports we considered the impact of his findings in our planning and execution of the yearend audit work.

We would like to thank Rao and his team for including us in the risk assessment process and for sharing with us his insight on BC Assessment's risk environment.

Yours sincerely,
Grant Thornton LLP

Grant Thornton LLP

Robert J. Broder, CA
Partner

cc: Connie Fair, President and Chief Executive Officer
Andy Hoggarth, VP Financial and Management Services, Executive

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position

As at December 31
(In thousands of dollars)

		2014		2013
Financial Assets:				
Cash and cash equivalents (note 3)	$	34,749	$	34,500
Accounts receivable		1,521		1,778
Accounts receivable from provincial government		331		314
		36,601		36,592
Liabilities:				
Accounts payable and accrued liabilities		3,765		4,791
Accounts payable due to provincial government		594		1,278
Employee benefits and other liabilities (note 4)		8,353		9,454
Lease inducements		4,048		4,188
Capital lease obligations (note 5)		472		652
		17,232		20,363
Net financial assets		19,369		16,229
Non-financial assets:				
Tangible capital assets (note 6)		13,526		13,225
Prepaid expenses		1,216		1,389
		14,742		14,614
Accumulated surplus (note 7)	$	34,111	$	30,843

Commitments (note 8)

The accompanying notes are an integral part of these financial statements.

Approved On Behalf of the Board of Directors:

Director

Director

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations

Year ended December 31
(In thousands of dollars)

	Budget (note 10)	2014	2013
Revenues:			
Tax levies	$ 83,482	$ 83,777	$ 82,085
Data access services	3,355	3,489	3,559
Payments in lieu of taxes	850	1,005	954
First Nations	600	630	613
Investment income	290	343	356
Other	10	315	321
Gain on disposal of tangible capital assets	-	19	35
	88,587	89,578	87,923
Expenses:			
Employee expenses	58,983	58,004	56,303
Information and communications technology	7,914	8,519	9,119
Office premises	6,427	6,155	6,463
Appeal costs (note 9)	3,890	2,852	3,046
Amortization	3,837	3,530	3,962
Corporate and office	3,728	3,223	3,364
Travel	2,151	2,113	1,698
Assessment notice printing and postage	1,657	1,914	1,678
Total expenses	88,587	86,310	85,633
Annual surplus	-	3,268	2,290
Accumulated surplus, beginning of year	30,843	30,843	28,553
Accumulated surplus, end of year	$ 30,843	$ 34,111	$ 30,843

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Change in Net Financial Assets

Year ended December 31
(In thousands of dollars)

	Budget (note 10)	2014	2013
Annual surplus	$ -	$ 3,268	$ 2,290
Acquisition of tangible capital assets	(6,336)	(3,831)	(2,372)
Amortization of tangible capital assets	3,837	3,530	3,962
Gain on sale of tangible capital assets	-	(19)	(35)
Proceeds on sale of tangible capital assets	-	19	35
	(2,499)	2,967	3,880
Change in prepaid expenses	-	173	(257)
Change in net financial assets	(2,499)	3,140	3,623
Net financial assets, beginning of year	16,229	16,229	12,606
Net financial assets, end of year	$ 13,730	$ 19,369	$ 16,229

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Cash Flows

Year ended December 31
(In thousands of dollars)

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 3,268	$ 2,290
Items not involving cash (note 12)	2,270	4,318
Change in non-cash assets and liabilities (note 12)	(1,297)	2,021
Net change in cash from operating activities	4,241	8,629
Capital activities:		
Proceeds on sale of tangible capital assets	19	35
Acquision of tangible capital assets	(3,831)	(2,339)
Net change in cash from capital activities	(3,812)	(2,304)
Financing activites:		
Capital leasing used to acquire tangible capital assets	-	(33)
Principal payments on capital lease obligations	(180)	(145)
Net change in cash from financing activities	(180)	(178)
Net change in cash and cash equivalents	249	6,147
Cash and cash equivalents, beginning of year	34,500	28,353
Cash and cash equivalents, end of year	$ 34,749	$ 34,500

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

1. Nature of Operations

The British Columbia Assessment Authority (the "Authority") was established in 1974 as an independent Crown corporation by the Province of British Columbia by enactment of the *Assessment Authority Act*. The purpose of the Authority is to establish and maintain assessments that are uniform in the whole of the province in accordance with the *Assessment Authority Act*. The Authority is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) standards. Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

The Authority follows the accrual method of accounting for revenues and expenses. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Financial instruments

Financial instruments are accounted for in accordance with Public Sector Accounting Standard 3450. Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, all of which are reported at amortized cost.

(c) Revenues:

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenues.

Tax levies: The Authority, each year by by-law and subject to the prior approval of the Lieutenant Governor in Council, imposes and levies a tax upon all taxable real property in the province, but excluding property that is taxable for school purposes only by special Act. A copy of this by-law is forwarded to the Tax Collector of every municipality in the province and to the Surveyor of Taxes in order that the taxes levied will be placed on the tax rolls. The proceeds of the taxes levied and collected by the municipalities or the Minister of Finance constitutes the Authority's tax levy revenue. This revenue is recognized equally across all periods in the year.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

(c) Revenues (continued):

Other revenue: Other revenue includes revenue from data access services, payments in lieu of taxes, contracts with First Nations, and other miscellaneous revenue. Data access revenue and other miscellaneous revenue are recognized when earned, while payments in lieu of taxes and First Nations revenue are recognized equally across all periods throughout the year.

Investment: Investment revenue includes interest on deposits in banks, and earnings generated by short-term investments, and are reported as revenue in the period earned.

(d) Property leasehold improvement inducements:

Lease inducements include cash payments, tenant improvement allowances, reduced rent and rent free periods. The lease inducement benefits are amortized on a straight-line basis over the term of the lease.

(e) Cash equivalents:

Cash equivalents include liquid investments that can be redeemed on demand without penalty. Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is not a temporary decline in value, the respective investment is written down to recognize the loss.

(f) Employee future benefits:

(i) The Authority and its employees make contributions to the Public Service Pension Plan. This plan is a multi-employer defined benefit plan providing a pension at retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. These contributions are expensed as incurred.

(ii) Retirement and other future benefits are also available to the Authority's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long-term inflation rates and discount rates. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

2. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	20
Property assessment software	10 to 15
Enterprise software	5
Furniture and equipment	5
Motor vehicles	5
Computer equipment	3
Productivity and other software	3 to 5
Leasehold improvements	Equal to the lease term
Leased equipment	Equal to the lease term

Amortization is performed on a straight-line basis, and is dependent on the value and timing of each purchase transaction, and when each asset was available for productive use. Software under development is not amortized until it is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations.

(i) Leased tangible capital assets

Leases that transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, the useful life of capital assets and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

3. Cash and cash equivalents:

		2014		2013
Cash	$	3,559	$	1,062
Cash Equivalents (notes 2(e))		31,190		33,438
Total	$	34,749	$	34,500

4. Employee benefits and other liabilities:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

		2014		2013
Employee future benefits	$	3,554	$	3,464
Employee past benefits		2		6
Other Liabilities		4,797		5,984
Total	$	8,353	$	9,454

Other liabilities include outstanding payables for employer remittances, accrued salaries, vacation, and overtime.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

4. Employee benefits and other liabilities (continued):

Employees' past benefits:

At the time the Authority was formed, it negotiated an agreement with those designated employees whose previous working agreements contained clauses that called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

Employees' future benefits:

Outside of the Public Service Pension Plan, the Authority annually accrues the future obligation under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. These retirement benefit plans include a retirement allowance, unearned vacation entitlement, and death benefits. An independent actuarial valuation of the post-employment benefits obligation and net periodic benefit cost was calculated at December 31, 2014 using management's estimates of salary escalation and expected retirement ages. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

Information about the Authority's retirement benefit plans is as follows:

Accrued benefit obligation:	2014	2013
Balance, beginning of the year	$ 3,464	$ 3,390
Current benefit cost	272	285
Interest	119	101
Benefits paid	(306)	(331)
Amortization of Loss	5	19
Balance, end of year	$ 3,554	$ 3,464

Actuarial benefit obligation:		
Accrued benefit obligation	$ 3,554	$ 3,464
Unamortized acutarial loss	148	39
Balance, end of year	$ 3,702	$ 3,503

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

4. Employee benefits and other liabilities (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

	2014	2013
Discount rate	3.68%	3.30%
Expected future inflation rate	1.50%	1.50%
Expected productivity and seniority increases	1.10% to 3.65%	1.10% to 3.65%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. Actual benefit payments in 2014 differing from expected resulted in a loss of $16,000. Additionally, an adjustment to the opening obligation resulting from a revision to the actual benefit payments made in 2013 resulted in a net gain of $18,000. Overall, this created a net actuarial gain at December 31, 2014 of $2,000.

The unamortized actuarial loss on future payments is amortized over the estimated average service lives of the employees which is 12 years.

Other pension plans:

The Authority and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2014) determined the Plan had a surplus of $392 million. The contribution rates have remained unchanged since April 1, 2012.

Contributions to the Plan by the Authority were $4,165 in 2014 and $3,945 in 2013.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

5. Capital lease obligations:

The Authority has entered into capital leases for certain office equipment. The minimum lease payment obligations are as follows:

For Year:	2014	2013
2014	$ -	$ 304
2015	304	304
2016	291	252
Subtotal	595	860
Less amount representing interest at 5% per annum	(123)	(208)
Present value of net minimum capital lease payments	$ 472	$ 652

Interest of $123 in 2014 and $120 in 2013 relating to capital lease obligations has been included in expenses on the Statement of Operations.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

6. Tangible capital assets:

(a) Changes to tangible capital asset categories during year:

Cost	December 31 2013	Additions	Disposals	December 31 2014
Land	$ 354	$ -	$ -	$ 354
Buildings	2,519	-	-	2,519
Furniture and equipment	5,550	660	-	6,210
Computer equipment	9,952	1,067	-	11,019
Motor vehicles	1,738	106	(83)	1,761
Leasehold improvements	6,447	670	-	7,117
Leased equipment	1,183	-	-	1,183
Property assessment software	14,696	-	-	14,696
Enterprise and productivity software	3,734	-	-	3,734
Software under development	354	1,328	-	1,682
Total	$ 46,527	$ 3,831	$ (83)	$ 50,275

Accumulated amortization	December 31 2013	Disposals	Amortization expense	December 31 2014
Land	$ -	$ -	$ -	$ -
Buildings	2,100	-	124	2,224
Furniture and equipment	4,350	-	589	4,939
Computer equipment	8,701	-	602	9,303
Motor vehicles	1,534	(83)	90	1,541
Leasehold improvements	1,837	-	569	2,406
Leased equipment	661	-	228	889
Property assessment software	11,857	-	690	12,547
Enterprise and productivity software	2,262	-	638	2,900
Software under development (note 6(b))	-	-	-	-
Total	$ 33,302	$ (83)	$ 3,530	$ 36,749

Net book value	December 31 2013	December 31 2014
Land	$ 354	$ 354
Buildings	419	295
Furniture and equipment	1,200	1,271
Computer equipment	1,251	1,716
Motor vehicles	204	220
Leasehold improvements	4,610	4,711
Leased equipment	522	294
Property assessment software	2,839	2,149
Enterprise and productivity software	1,472	834
Software under development	354	1,682
Total	$ 13,225	$ 13,526

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

6. Tangible capital assets (continued):

(b) Software under development:

Software development projects can often span multiple fiscal periods. Software under development does not contain any projects which have been terminated or placed on hold indefinitely. Software under development is not amortized as it represents the costs incurred to date on projects, which are not substantially complete at the end of the fiscal year, which is in accordance with Public Sector Accounting Standard 3450.42(b).

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

Accumulated Surplus:	2014	2013
Equity:		
Equity invested in tangible capital	$ 13,053	$ 12,573
Unappropriated	1,790	2,270
	14,843	14,843
Reserves:		
Future tangible capital asset acquisitions	16,268	13,000
Operating	3,000	3,000
	19,268	16,000
Accumulated surplus, end of year	$ 34,111	$ 30,843

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. One hundred percent of the 2014 operating surplus of $3,268 has been applied to the reserve for future tangible capital asset acquisitions in accordance with Board direction.

Future tangible capital assets reserve: the purpose of this reserve is to help stabilize the financing requirements of large fluctuations in capital spending from one year to the next. Certain high value tangible capital assets such as property assessment software have long term economic usefulness. This reserve assists in the financing of these expenditures to limit the impact to revenue requirements in those years.

Operating reserve: the purpose of this reserve is to finance an unintended deficit. Unintended deficits would be caused largely by unexpected changes in revenues or costs for items that are outside management's control.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

8. Commitments:

The Authority is committed to make payments under operating leases and contracts as follows:

Commitments:	2014	2013
2014	$ -	$ 12,712
2015	12,286	9,591
2016	9,584	9,487
2017	7,789	8,124
2018	5,834	5,775
2019	4,105	4,218
2020-2027	21,052	21,659
Total Commitments	$ 60,650	$ 71,566

9. Appeal costs:

Appeal costs include the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board, both operated independently by the Province of British Columbia, and legal costs incurred by the Authority. By legislation, the Authority is required to reimburse the Province for the Review Panel and Appeal Board costs which amounted to $2,267 in 2014 and $2,428 in 2013.

10. Budget data:

The 2014 operating and capital budgets approved by the Board on December 6, 2013 have been provided for comparison purposes.

11. Related party transactions:

The Authority is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, and all public sector organizations such as school districts, colleges, universities, and health authorities that are included in the provincial government reporting entity. In addition, transactions with senior management, directors, immediate family members of senior management and directors, and companies with which any of the above have a financial interest are also considered related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

11. Related party transactions (continued):

The Statement of Operations includes the following transactions with related parties of the Province of British Columbia:

	2014	2013
Revenue:		
Other revenue	$ 2,863	$ 3,532
Expenses:		
Appeal costs	2,267	2,428
Information and communication technology	1,172	894
Employee expenses	1,106	1,370
Office premises	480	482
Corporate and office	261	115
Assessment notice printing and postage	100	108
Travel	52	51
Assets (liabilities) at December 31 with related parties		
Assets - Motor Vehicles	108	-
Accounts receivable	331	314
Accounts payable	(594)	(1,278)

The Authority contracts the disposal of surplus property, plant and equipment to the Province of British Columbia. Sale proceeds net of disposal costs were $26 in 2014 and $35 in 2013.

12. Summary of Cash flow management:

Items not involving cash, reported on the statement of cash flows, are made up of the following:

Items not involving cash:	2014	2013
Amortization	$ 3,530	$ 3,962
Change in lease inducements	(140)	476
Gain on sale of tangible capital assets	(19)	(35)
Change in employee benefits and other liabilities	(1,101)	(85)
Total items not involving cash	$ 2,270	$ 4,318

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

12. Summary of cash flow management (continued):

Change in non-cash assets and liabilities, reported on the statement of cash flows, are made up of the following:

Change in non-cash assets and liabilities:	2014	2013
Accounts receivable	$ 240	$ (13)
Acocunts payable and accrued liabilities	(1,710)	2,291
Prepaid expenses	173	(257)
Total change in non-cash assets and liabilities	$ (1,297)	$ 2,021

13. Financial risk management:

In the normal course of operations, The Authority is exposed to a number of risks that can affect its operating performance. The Authority has exposure to the following risks from its use of financial instruments: credit risk, market risk, currency risk, interest rate risk, and liquidity risk. Management and the Board of the Authority ensure that the Authority identifies and monitors its risks. It is management's opinion that the authority is not exposed to significant risks arising from these financial instruments.

Credit risk: Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meets its contractual obligations. Such risks arise primarily from certain assets held consisting of cash, cash equivalents and accounts receivable. The Authority is exposed to credit risk in the event of non-performance by a customer. This risk is mitigated because 80 per cent of accounts receivable are current; therefore, management does not consider it to be impaired. It is management's opinion that the Authority is not exposed to significant credit risk associated with cash and cash equivalents as they are placed with the British Columbia Investment Management Corporation in highly liquid units of a Canadian Money Market Fund.

Market risk: Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the Authority is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

13. Financial risk management (continued):

Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Authority is exposed to interest rate risk through its cash equivalents. It is management's opinion that the Authority is not exposed to significant interest rate risk as they invest solely in short term treasury bills that have a maturity date of no more than 91 days from date of acquisition.

Liquidity risk: Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will have sufficient liquidity to meets its liabilities when they become due.

Appendix: Hyperlinks to Additional Information

Board of Directors and Corporate Governance -
www.bcassessment.ca/about/Pages/BoardofDirectors.aspx

Organizational Overview - www.bcassessment.ca/about/Pages/Default.aspx

Executive Management Team -
www.bcassessment.ca/ABOUT/Pages/ExecutiveManagementTeam.aspx